

**City of Rock Valley, Iowa
Independent Auditor's Reports
Basic Financial Statements
Supplementary And Other Information
Schedule of Findings And Questioned Costs
June 30, 2012**

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**City of Rock Valley, Iowa
Officials**

(Before January, 2012)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kent Eknes	Mayor	Jan. 2012
Gerold Burgers	Mayor Pro-Tem	Jan. 2012
Dale Kooima	Council Member	Jan. 2014
Mark McGill	Council Member	Jan. 2012
Kevin Van Otterloo	Council Member	Jan. 2014
Dennis Canneigeter	Council Member	Jan. 2012
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen McGill Hoogeveen	City Attorney	Indefinite

(After January, 2012)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Van Otterloo	Mayor	Jan. 2016
Dale Kooima	Mayor Pro-Tem	Jan. 2014
Dennis Canneigeter	Council Member	Jan. 2016
Jeff Koldenhoven	Council Member	Jan. 2014
Mark McGill	Council Member	Jan. 2016
Jeremy Van't Hul	Council Member	Jan. 2014
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen Mc Gill Hoogeveen	City Attorney	Indefinite

City of Rock Valley, Iowa



Van Bruggen & Vande Vegte, P.C.
Certified Public Accountants and Financial Advisors

Independent Auditor's Report

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To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rock Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2012, on our consideration of the City of Rock Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion

on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rock Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Rock Valley's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 41 through 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Van Bruggen & Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

December 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 23%, or approximately \$1,690,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$60,000, tax incremental financing increased by \$29,000 and there were capital loan notes issued of \$600,000.
- Disbursements of the City's governmental activities decreased 10%, or approximately \$680,000, in fiscal year 2012 from fiscal year 2011. Public safety, public works, debt service, and general government disbursements increased approximately \$160,000, \$70,000, \$120,000, and \$66,000, respectively, while culture and recreation, community and economic development, and capital projects disbursements decreased approximately \$155,000, \$2,000, and \$939,000, respectively.
- The City's total cash basis net assets decreased 48%, or approximately \$505,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$630,000 and the assets of the business type activities increased by approximately \$125,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, garbage collection, and the campground system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for water, sewer, garbage and campground funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$9 thousand to \$(621) thousand deficit. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 637	\$ 590
Operating grants, contributions and restricted interest	460	322
Capital grants, contributions and restricted interest	457	14
General receipts:		
Property tax	2,397	2,308
Local option sales tax	336	293
Unrestricted interest on investments	6	16
Bond and loan proceeds	600	2,600
Other general receipts	661	1,101
Total receipts	<u>\$ 5,554</u>	<u>\$ 7,244</u>
Disbursements:		
Public safety	\$ 743	\$ 583
Public works	322	252
Culture and recreation	396	551
Community and economic development	827	829
General government	393	327
Debt service	1,671	1,551
Capital projects	1,957	2,896
Total disbursements	<u>\$ 6,309</u>	<u>\$ 6,989</u>
Change in cash basis net assets before transfers	\$ (755)	\$ 255
Transfers, net	125	46
Change in cash basis net assets	\$ (630)	\$ 301
Cash basis net assets beginning of year (Deficit)	<u>9</u>	<u>(292)</u>
Cash basis net assets end of year (Deficit)	<u>\$ (621)</u>	<u>\$ 9</u>

The City's total receipts for governmental activities decreased 23%, or approximately \$1,690,000. The total cost of all programs and services decreased by approximately \$680,000, or 10%, with no new programs added this year. The decrease in receipts was primarily the result of fewer proceeds received from the issuance of general obligation notes and revenue notes and loans.

The City did not change property tax rates for 2012. This stabilization and more importantly the increase in housing, commercial and industrial development increased the City's property tax receipts by approximately \$60,000 in fiscal year 2012 and raised the City's tax increment financing collections by \$29,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase next year as they have every year since 2001.

The cost of all governmental activities this year was \$6.309 million compared to \$6.989 million last year. However, as shown in the Statement of Activities and Net Assets on pages 16-19, the amount taxpayers ultimately financed for these activities was only \$4.755 million because some of the cost was paid by those directly benefited from the programs (\$637,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$917,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$927,000 to approximately \$1,554,000, principally due to charges for services and capital grants.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 585	\$ 536
Sewer	476	475
Garbage	200	187
Campground	131	139
Total receipts	<u>\$ 1,392</u>	<u>\$ 1,337</u>
Disbursements and transfers:		
Water	\$ 497	\$ 479
Sewer	335	364
Garbage	197	159
Campground	113	109
Total disbursements	<u>\$ 1,142</u>	<u>\$ 1,111</u>
Change in cash basis net assets before transfers	\$ 250	\$ 226
Transfers, net	<u>(125)</u>	<u>(46)</u>
Change in cash basis net assets	\$ 125	\$ 180
Cash basis net assets beginning of year	<u>1,050</u>	<u>870</u>
Cash basis net assets end of year	<u>\$ 1,175</u>	<u>\$ 1,050</u>

Total business type activities receipts for the fiscal year were approximately \$1.392 million compared to approximately \$1.337 million last year. This increase was due primarily to the volume of usage and an increase in the number of customers. The cash balance increased approximately \$125,000 from the prior year. Total disbursements and transfers for the fiscal year increased 10% to approximately 1.267 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Rock Valley completed the year, its governmental funds reported a combined deficit fund balance of \$(620,719), a decrease of more than \$630,000 below last year's total of \$9,070. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$113,790 from the prior year to \$284,096.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$2,061 to \$96,282 during the fiscal year. This was due to the slight increase in road use receipts.
- The Special Revenue, Local Option Sales Tax Fund, was established in a previous fiscal year to account for the one percent local sales and service tax activity. At the end of the fiscal year, the cash balance was \$74,137 an increase of \$60,924 from the previous year due to fewer transfers out and increased revenue.
- The Special Revenue, CDBG Grant fund was established to account for the receipt and distribution of the Community Development Block Grant funds to a sub recipient in the amount of \$287,192.
- The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$23,859, a decrease of \$87,476 from the previous year.
- The Debt Service Fund cash balance decreased by \$17,210 to \$113,269 during the fiscal year. This decrease was due to an increase in bonding and payments. Bond principal and interest payments increased by \$120,056 in fiscal year 2012.
- The Capital Projects Fund decreased by \$506,998 to \$(1,017,805) during the fiscal year. The decrease was due to more capital expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$37,837 to \$370,315, due primarily to volume usage and an increase in the number of customers.
- The Enterprise, Sewer Fund cash balance increased by \$91,408 to \$781,417, due primarily to volume usage and an increase in the number of customers.
- The Enterprise, Garbage Fund cash balance decreased by \$21,379 to \$7,661, due primarily to an increase in costs.
- The Enterprise, Campground Fund cash balance increased by \$17,019 to \$15,748, due primarily to the number of customers serviced.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on June 28, 2012 and resulted in a slight increase in operating revenues. Expenditures increased due to capital projects.

The City's receipts were \$340,896 more than the amended budget due to more receipts from charges for services.

The City's disbursements were \$850,380 less than the amended budget due to less disbursements for the capital projects.

The City exceeded the amount budgeted in the public safety, community and economic development and capital projects functions for the year ended June 30, 2012.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$13,037,295 in bonds and other long-term debt outstanding, compared to approximately \$13,675,295 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30, 2012	2011
General obligation bonds and notes	\$ 5,502.5	\$ 5,827.5
Urban renewal tax increment financing revenue bonds	455.0	495.0
Revenue notes	7,079.8	7,352.8
Total	<u>\$ 13,037.3</u>	<u>\$ 13,675.3</u>

Debt decreased as a result of general obligation bonds, notes, and revenue notes being paid in the past year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$5,957,500 is below its constitutional debt limit of approximately \$9.3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Rock Valley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2008-2012, which saw the City grow to a population of 3,354. Unemployment in the city is unknown, however the State's unemployment rate is 6.5% and the national rate is 9.0%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$7.961 million, a decrease of 4% over the final 2012 budget. Property tax (benefiting from the fiscal year 2012 rate increases and increases in assessed valuations) are expected to continue to increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to decrease by approximately \$205,000; moreover, increases in public works and culture and recreation represent the largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to increase slightly by the close of 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Judy Van't Hul, City Clerk, 1507 Main Street, Rock Valley, Iowa 51247.

City of Rock Valley, Iowa

Basic Financial Statements

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

		Program Receipts		
		Charges for	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	Disbursements	Service		
Functions / Programs:				
Governmental activities:				
Public safety	\$ 742,987	\$ 116,258	\$ -	\$ -
Public works	322,083	-	318,131	-
Culture and recreation	395,948	52,792	113,061	-
Community and economic development	826,874	459,313	28,450	-
General government	392,611	8,778	-	-
Debt service	1,671,222	-	-	-
Capital projects	<u>1,957,568</u>	<u>-</u>	<u>-</u>	<u>457,405</u>
Total governmental activities	<u>\$6,309,293</u>	<u>\$ 637,141</u>	<u>\$ 459,642</u>	<u>\$ 457,405</u>
Business type activities:				
Water	\$ 496,780	\$ 548,183	\$ -	\$ -
Sewer	335,163	470,884	-	-
Garbage	197,004	200,625	-	-
Campground	<u>113,476</u>	<u>130,585</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,142,423</u>	<u>\$1,350,277</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$7,451,716</u>	<u>\$1,987,418</u>	<u>\$ 459,642</u>	<u>\$ 457,405</u>
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Bond and loan proceeds				

(Continued on page 18)

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (626,729)	\$ -	\$ (626,729)
(3,952)	-	(3,952)
(230,095)	-	(230,095)
(339,111)	-	(339,111)
(383,833)	-	(383,833)
(1,671,222)	-	(1,671,222)
<u>(1,500,163)</u>	<u>-</u>	<u>(1,500,163)</u>
<u>\$ (4,755,105)</u>	<u>\$ -</u>	<u>\$ (4,755,105)</u>
\$ -	\$ 51,403	\$ 51,403
-	135,721	135,721
-	3,621	3,621
-	17,109	17,109
<u>\$ -</u>	<u>\$ 207,854</u>	<u>\$ 207,854</u>
<u>\$ (4,755,105)</u>	<u>\$ 207,854</u>	<u>\$ (4,547,251)</u>
\$ 792,591	\$ -	\$ 792,591
197,894	-	197,894
1,406,356	-	1,406,356
335,642	-	335,642
6,349	-	6,349
600,000	-	600,000

(Continued on page 19)

(Continued from page 16)

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

	Program Receipts		
	Charges for	Contributions,	Contributions
<u>Disbursements</u>	<u>Service</u>	<u>and Restricted</u>	<u>and Restricted</u>
		<u>Interest</u>	<u>Interest</u>
Miscellaneous			
Sale of capital assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
661,484	42,121	703,605
-	-	-
<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
<u>\$ 4,125,316</u>	<u>\$ (82,879)</u>	<u>\$ 4,042,437</u>
<u>\$ (629,789)</u>	<u>\$ 124,975</u>	<u>\$ (504,814)</u>
<u>9,070</u>	<u>1,050,166</u>	<u>1,059,236</u>
<u>\$ (620,719)</u>	<u>\$ 1,175,141</u>	<u>\$ 554,422</u>
\$ 151,885	\$ -	\$ 151,885
(86,278)	-	(86,278)
113,269	-	113,269
(877,711)	1,151,732	274,021
<u>78,116</u>	<u>23,409</u>	<u>101,525</u>
<u>\$ (620,719)</u>	<u>\$ 1,175,141</u>	<u>\$ 554,422</u>

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	CDBG Grant
Receipts:				
Property tax	\$ 577,213	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Other city tax	3,039	-	335,642	-
Licenses and permits	4,950	-	-	-
Use of money and property	15,127	-	-	-
Intergovernmental	113,061	318,131	-	287,192
Charges for service	31,452	-	-	-
Special assessments	-	-	-	-
Miscellaneous	386,499	-	-	-
Total receipts	<u>\$ 1,131,341</u>	<u>\$ 318,131</u>	<u>\$ 335,642</u>	<u>\$ 287,192</u>
Disbursements:				
Operating:				
Public safety	\$ 639,895	\$ -	\$ -	\$ -
Public works	-	322,083	-	-
Culture and recreation	371,200	-	-	-
Community and economic development	200,168	-	5,550	287,192
General government	363,868	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$ 1,575,131</u>	<u>\$ 322,083</u>	<u>\$ 5,550</u>	<u>\$ 287,192</u>
Excess of receipts over (under) disbursements	<u>\$ (443,790)</u>	<u>\$ (3,952)</u>	<u>\$ 330,092</u>	<u>\$ -</u>
Other financing sources (uses):				
Bond and loan proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	330,000	6,013	-	-
Operating transfers out	-	-	(269,168)	-
Total other financing sources (uses)	<u>\$ 330,000</u>	<u>\$ 6,013</u>	<u>\$ (269,168)</u>	<u>\$ -</u>

(Continued on page 22)

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

Exhibit B

Special Revenue

TIF Fund	Debt Service	Capital Projects	Nonmajor	Total
\$ -	\$ 197,894	\$ -	\$ 212,339	\$ 987,446
1,406,356	-	-	-	1,406,356
-	-	-	-	338,681
-	-	-	-	4,950
-	-	-	-	15,127
-	-	457,405	-	1,175,789
-	-	459,313	-	490,765
-	-	44,341	-	44,341
-	16,118	42,305	46,127	491,049
<u>\$ 1,406,356</u>	<u>\$ 214,012</u>	<u>\$ 1,003,364</u>	<u>\$ 258,466</u>	<u>\$ 4,954,504</u>
\$ -	\$ -	\$ -	\$ 103,092	\$ 742,987
-	-	-	-	322,083
-	-	-	24,748	395,948
234,781	-	-	99,183	826,874
-	-	-	28,743	392,611
-	1,671,222	-	-	1,671,222
-	-	1,957,568	-	1,957,568
<u>\$ 234,781</u>	<u>\$ 1,671,222</u>	<u>\$ 1,957,568</u>	<u>\$ 255,766</u>	<u>\$ 6,309,293</u>
<u>\$ 1,171,575</u>	<u>\$(1,457,210)</u>	<u>\$ (954,204)</u>	<u>\$ 2,700</u>	<u>\$ (1,354,789)</u>
\$ -	\$ 600,000	\$ -	\$ -	\$ 600,000
-	1,440,000	977,219	30,000	2,783,232
<u>(1,259,051)</u>	<u>(600,000)</u>	<u>(530,013)</u>	<u>-</u>	<u>(2,658,232)</u>
<u>\$(1,259,051)</u>	<u>\$ 1,440,000</u>	<u>\$ 447,206</u>	<u>\$ 30,000</u>	<u>\$ 725,000</u>

(Continued on page 23)

(Continued from page 20)

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2012

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>CDBG Grant</u>
Net change in cash balances	\$ (113,790)	\$ 2,061	\$ 60,924	\$ -
Cash balances beginning of year	<u>397,886</u>	<u>94,221</u>	<u>13,213</u>	<u>-</u>
Cash balances end of year	<u>\$ 284,096</u>	<u>\$ 96,282</u>	<u>\$ 74,137</u>	<u>\$ -</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-
Streets	-	96,282	55,603	-
Other purposes	205,980	-	18,534	-
Unassigned	<u>78,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 284,096</u>	<u>\$ 96,282</u>	<u>\$ 74,137</u>	<u>\$ -</u>

See notes to financial statements.

Special Revenue

TIF Fund	Debt Service	Capital Projects	Nonmajor	Total
\$ (87,476)	\$ (17,210)	\$ (506,998)	\$ 32,700	\$ (629,789)
<u>111,335</u>	<u>130,479</u>	<u>(510,807)</u>	<u>(227,257)</u>	<u>9,070</u>
<u>\$ 23,859</u>	<u>\$ 113,269</u>	<u>\$ (1,017,805)</u>	<u>\$ (194,557)</u>	<u>\$ (620,719)</u>
\$ 23,859	\$ -	\$ -	\$ (110,137)	\$ (86,278)
-	113,269	-	-	113,269
-	-	-	-	151,885
-	-	(1,017,805)	(84,420)	(877,711)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,116</u>
<u>\$ 23,859</u>	<u>\$ 113,269</u>	<u>\$ (1,017,805)</u>	<u>\$ (194,557)</u>	<u>\$ (620,719)</u>

City of Rock Valley, Iowa

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2012

Total governmental funds cash balances (page 23)	\$ <u>(620,719)</u>
Cash basis net assets of governmental activities (page 19)	\$ <u>(620,719)</u>
Net change in cash balances (page 23)	\$ <u>(629,789)</u>
Change in cash balances net assets of governmental activities (page 19)	\$ <u>(629,789)</u>

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

Exhibit D

	Enterprise Funds			
	Water	Sewer	Garbage	Campground
Operating Receipts:				
Charges for service	\$ 548,183	\$ 470,884	\$ 200,625	\$ 130,585
Miscellaneous	<u>36,434</u>	<u>5,687</u>	<u>-</u>	<u>-</u>
Total operating receipts	<u>\$ 584,617</u>	<u>\$ 476,571</u>	<u>\$ 200,625</u>	<u>\$ 130,585</u>
Operating disbursements:				
Business type activities	\$ <u>496,780</u>	\$ <u>335,163</u>	\$ <u>197,004</u>	\$ <u>113,476</u>
Total operating disbursements	<u>\$ 496,780</u>	<u>\$ 335,163</u>	<u>\$ 197,004</u>	<u>\$ 113,476</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 87,837</u>	<u>\$ 141,408</u>	<u>\$ 3,621</u>	<u>\$ 17,109</u>
Operating transfers out	\$ <u>(50,000)</u>	\$ <u>(50,000)</u>	\$ <u>(25,000)</u>	\$ <u>-</u>
Total other financing sources (uses)	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (25,000)</u>	<u>\$ -</u>
Net change in cash balances	\$ 37,837	\$ 91,408	\$ (21,379)	\$ 17,109
Cash balances beginning of year	\$ <u>332,478</u>	\$ <u>690,009</u>	\$ <u>29,040</u>	\$ <u>(1,361)</u>
Cash balances end of year	<u>\$ 370,315</u>	<u>\$ 781,417</u>	<u>\$ 7,661</u>	<u>\$ 15,748</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ 370,315	\$ 718,417	\$ -	\$ -
Unrestricted	<u>-</u>	<u>-</u>	<u>7,661</u>	<u>15,748</u>
Total cash basis fund balances	<u>\$ 370,315</u>	<u>\$ 718,417</u>	<u>\$ 7,661</u>	<u>\$ 15,748</u>

See notes to financial statements.

City of Rock Valley, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

Exhibit D

	<u>Enterprise Funds</u>
	<u>Total</u>
Operating Receipts:	
Charges for service	\$ 1,350,277
Miscellaneous	<u>42,121</u>
Total operating receipts	<u>\$ 1,392,398</u>
Operating disbursements:	
Business type activities	\$ <u>1,142,423</u>
Total operating disbursements	<u>\$ 1,142,423</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 249,975</u>
Operating transfers out	\$ <u>(125,000)</u>
Total other financing sources (uses)	<u>\$ (125,000)</u>
Net change in cash balances	\$ 124,975
Cash balances beginning of year	\$ <u>1,050,166</u>
Cash balances end of year	<u>\$ 1,175,141</u>
Cash Basis Fund Balances	
Restricted for debt service	\$ 1,151,732
Unrestricted	<u>23,409</u>
Total cash basis fund balances	<u>\$ 1,175,141</u>

City of Rock Valley, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2012

Total enterprise funds cash balances (page 27)	\$ <u>1,175,141</u>
Cash basis net assets of business type activities (page 19)	\$ <u>1,175,141</u>
Net change in cash balances (page 27)	\$ <u>124,975</u>
Change in cash balances net assets of business type activities (page 19)	\$ <u>124,975</u>

See notes to financial statements.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage collection for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has included the Rock Valley Ambulance and Fire Department units as component units in the General Fund which meets the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Rock Valley Economic Development Corporation Loan Fund, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Rock Valley Summer Recreation.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

Local Option Sales Tax Fund is used to account for the one percent local sales and service tax activity.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

B. Basis of Presentation (continued)

The CDBG Grant Fund is used to account for the receipt and distribution of the Community Development Block Grant funds to a sub recipient.

The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects and tax increment financing collections and the repayment of tax increment financing indebtedness within the City.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for the governmental receipts, charges to services, special assessments and miscellaneous receipts pertaining to its capital projects, as well as the expenditures of those projects.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

The Enterprise, Campground Fund accounts for the operation and maintenance of the City's campground system.

C. Measurement Focus and Basis of Accounting

The City of Rock Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

C. Measurement Focus and Basis of Accounting (continued)

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classification – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts to Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(2) Cash and Pooled Investments (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2012, all investments were comprised of bank certificate of deposits and other FDIC accounts.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes/loans are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Notes/Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 980,000	\$ 216,077	\$ 50,000	\$ 19,822	\$ 477,000	\$ 173,815
2014	885,000	180,990	50,000	18,641	361,000	164,792
2015	927,500	147,577	60,000	16,661	381,000	155,290
2016	837,000	111,319	60,000	14,201	391,000	144,767
2017	683,000	77,563	70,000	11,561	411,000	134,485
2018 – 2022	1,190,000	93,908	165,000	15,946	1,859,000	520,186
2023 – 2027	0	0	0	0	2,074,000	297,264
2028 – 2032	0	0	0	0	1,125,795	57,406
Total	<u>\$5,502,500</u>	<u>\$ 827,434</u>	<u>\$ 455,000</u>	<u>\$ 96,832</u>	<u>\$ 7,079,795</u>	<u>\$ 1,648,005</u>

Year Ending June 30,	Total	
	Principal	Interest
2013	\$ 1,507,000	\$ 409,714
2014	1,296,000	364,423
2015	1,368,500	319,528
2016	1,288,000	270,287
2017	1,164,000	223,609
2018 – 2022	3,214,000	630,040
2023 – 2027	2,074,000	297,264
2028 – 2032	1,125,795	57,406
Total	<u>\$13,037,295</u>	<u>\$2,572,271</u>

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(3) Bonds and Notes Payable (continued)

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district of the City. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$551,832 payable through June 2019. For the current year, principal and interest paid and total TIF receipts were \$61,640 and \$1,406,356, respectively.

Revenue Notes and Loans

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$450,000 in water revenue notes issued in June, 2008 and \$1,359,000 in water revenue notes issued in February, 2009. Proceeds from the notes provided financing for the construction of pump station, a water main and water treatment facilities. The notes are payable solely from water customer net receipts and are payable through 2018 and 2029, respectively. The total principal and interest remaining to be paid on the notes is \$1,510,000 and \$431,693, respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$93,000, \$55,125 and \$87,837, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$260,000 in sewer revenue notes issued in June, 2008 and \$3,947,795 in sewer revenue notes issued in November, 2009. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2018 and 2030, respectively. The total principal and interest remaining to be paid on the notes is \$3,812,795 and \$1,216,312, respectively. For the current year, principal and interest paid per issuance and total customer net receipts were \$180,000, \$131,666 and \$141,408, respectively. The City has received notification the Clean Water Planning & Design Loan issued on January 20, 2010, in the amount of \$1,757,000, will qualify for loan forgiveness if the stipulated requirements are met. The loan forgiveness was granted effective August 16, 2012.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(3) Bonds and Notes Payable (continued)

- (b) The city does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the city are reserved or pledged for debt service on the notes.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$74,226, \$64,318, and \$56,842, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 35,034
Sick Leave	<u>119,708</u>
Total	<u>\$ 154,743</u>

This liability has been computed based on rates of pay in effect as of June 30, 2012.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(6) Landfill Contract

The City of Rock Valley has contracted for solid waste disposal for all households or residences within the City. For the year ended June 30, 2012, \$186,137 was paid pursuant to the agreement. The contract began December 1, 2010, and will terminate November 30, 2013. The agreement calls for the city to remit to the solid waste removal contractor the fees collected less one dollar twenty five cents (1.25) per monthly charge, which the City retains as a collection and handling fee. The contract allows for the solid waste removal contractor the opportunity to request an increase in rates semi-annually during the months of June and December. The City has the sole power to amend the monthly rates.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	TIF Fund	\$ 90,000
	Local Option Sales Tax	115,000
	Enterprise Fund:	
	Water	50,000
	Sewer	50,000
	Garbage	<u>25,000</u>
		\$ <u>330,000</u>
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	\$ 6,000
Local Housing Assistance Program	Capital Projects:	
	Southern Hills III	24,000
Road Use Tax	Capital Projects:	
	Starkweather Addition	<u>6,013</u>
		\$ <u>36,013</u>
Debt Service Fund	Special Revenue:	
	TIF Fund	\$ 1,100,000
	Capital Projects:	
	Water System Improvements	90,000
	Sewer System Improvements	<u>250,000</u>
		\$ <u>1,440,000</u>

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(7) Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects:	Special Review:	
Fairway Oaks	TIF Fund	\$ 69,051
Safety Complex	Local Option Sales Tax	148,168
19 th Avenue SW Lift Station	Capital Projects:	
	Sewer System Improvements	160,000
Hwy 18/Golf Course Road	Debt Service Fund	200,000
Rock Ridge Road		<u>400,000</u>
		<u>\$ 977,219</u>
Total		<u>\$ 2,783,232</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$10,782 during the year ended June 30, 2012.

(9) Lease Agreements

The City of Rock Valley (lessee) on June 29, 2005 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2005 Lifeline Ford Ambulance. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$6,764. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on December 8, 2008, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2008 Bobcat Toolcat. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$26,839. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on August 15, 2007, entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2007 International Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of up to ten (10) years at an annual amount of \$11,373. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on August 25, 2011, entered into a nonmaintenance lease agreement with U.S. Bancorp Equipment Finance, Inc. (lessor) for the use of a 2007 Freightliner Truck. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(9) Lease Agreements (continued)

annual basis for a period of up to ten (10) years of an annual amount of \$25,250. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The aggregate rental expense for the year ended June 30, 2012, is \$70,726.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is exposed to an employee group medical insurance risk of the difference between a deductible and a fringe benefit with an estimated total risk of \$54,400.

(11) Deficit Fund Balance

The Special Revenue Fund – Employee Benefits, Urban Renewal Tax Increment, Fire Fighting Equipment, Local Housing Assistance, Capital Project Fund – Water System Improvements, Capital Project Fund- Sewer System Improvements, 19th Avenue Lift Station, State Shed Property Project, Starkweather Addition, Hwy. 18 Main St Project, 19th Street, Fairway Oaks, and Pondside Development had deficit balances of \$3,685, \$110,137, \$158,605, \$26,399, \$113,290, \$205,352, \$428,588, \$375, \$15,825, \$7,220, \$275,909, \$6,000, and \$173,595 respectively, at June 30, 2012. The deficit balances were a result of transfers and project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of transfers and state grants.

(12) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 20 active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirement of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$378 for single coverage and \$838 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012 the City contributed \$183,260 and plan members eligible for benefits contributed \$0 to the plan.

City of Rock Valley, Iowa
Notes to Financial Statements
June 30, 2012

(13) Community Economic Betterment Loans (CEBA)

The City of Rock Valley (loan recipient) on September 21, 2006, entered into a Community Development Block Forgivable Loan for \$40,000. The City of Rock Valley (Lender) then entered into a forgivable loan agreement with Quality Machine Products, Inc. (Borrower) with the loan amount of \$40,000, maturing 2011.

(14) Subsequent Events

Subsequent events have been evaluated through December 5, 2012, which is the date the financial statements were issued.

On May 31, 2012, a construction contract was awarded for the project, 13th Avenue Extension, in the amount of \$428,604.54. As of June 30, 2012, construction had not started.

On August 16, 2012, Revenue Note – Clean Water Planning & Design Loan, in the amount of \$1,757,000, was forgiven by the issuer, State of Iowa.

On November 30, 2012, the Garbage contract with the independent contractor was terminated and the City of Rock Valley assumed garbage services for the citizens of Rock Valley.

Other Information

City of Rock Valley, Iowa
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
Other Information
Year Ended June 30, 2012

	Governmental Funds		Proprietary Funds	Total
	Actual	Actual	Actual	
Receipts:				
Property tax	\$ 987,446	\$ -	\$ -	\$ 987,446
Tax increment financing	1,406,356	-	-	1,406,356
Other city tax	338,681	-	-	338,681
Licenses and permits	4,950	-	-	4,950
Use of money and property	15,127	-	-	15,127
Intergovernmental	1,175,789	-	-	1,175,789
Charges for service	490,765	1,350,277	-	1,841,042
Special assessments	44,341	-	-	44,341
Miscellaneous	491,049	42,121	-	533,170
Total receipts	<u>\$4,954,504</u>	<u>\$ 1,392,398</u>		<u>\$6,346,902</u>
Disbursements:				
Public safety	\$ 742,987	\$ -	\$ -	\$ 742,987
Public works	322,083	-	-	322,083
Culture and recreation	395,948	-	-	395,948
Community and economic development	826,874	-	-	826,874
General government	392,611	-	-	392,611
Debt service	1,671,222	-	-	1,671,222
Capital projects	1,957,568	-	-	1,957,568
Business type activities	-	1,142,423	-	1,142,423
Total disbursements	<u>\$6,309,293</u>	<u>\$ 1,142,423</u>		<u>\$ 7,451,716</u>
Excess of receipts over disbursements	<u>\$ (1,354,789)</u>	<u>\$ (249,975)</u>		<u>\$ (1,104,814)</u>
Transfers	125,000	(125,000)	-	-
Other financing sources, net	<u>600,000</u>	<u>-</u>		<u>600,000</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>\$ (629,789)</u>	<u>\$ 124,975</u>		<u>\$ (504,814)</u>
Balance - beginning of year	<u>9,070</u>	<u>1,050,166</u>		<u>1,059,236</u>
Balance - end of year	<u>\$ (620,719)</u>	<u>\$ 1,175,141</u>		<u>\$ 554,422</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 899,777	\$ 899,777	\$ 87,669
1,400,000	1,400,000	6,356
385,224	400,224	(61,543)
3,985	4,327	623
43,000	43,000	(27,873)
273,531	651,192	524,597
1,727,500	2,113,836	(272,794)
139,000	139,000	(94,659)
<u>248,900</u>	<u>354,650</u>	<u>178,520</u>
<u>\$ 5,120,917</u>	<u>\$ 6,006,006</u>	<u>\$ 340,896</u>
\$ 597,700	\$ 660,957	\$ (82,030)
289,550	373,050	50,967
448,250	574,450	178,502
508,410	796,602	(30,272)
310,000	395,415	2,804
1,635,169	1,679,484	8,262
476,800	761,102	(1,196,466)
<u>1,023,750</u>	<u>1,360,276</u>	<u>217,853</u>
<u>\$ 5,289,629</u>	<u>\$ 6,601,336</u>	<u>\$ (850,380)</u>
\$ (168,712)	\$ (595,330)	\$ (509,484)
(2,610,530)	(2,191,147)	2,191,147
<u>3,160,530</u>	<u>2,791,147</u>	<u>(2,191,147)</u>
\$ 381,288	\$ 4,670	\$ (509,484)
<u>1,059,236</u>	<u>1,059,236</u>	<u>-</u>
<u>\$ 1,440,524</u>	<u>\$ 1,063,906</u>	<u>\$ (509,484)</u>

City of Rock Valley, Iowa
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$1,311,707. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and capital projects functions.

Supplementary Information

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

				<u>Special</u>
	Employee Benefits	Urban Renewal Tax Increment	Local Housing Assistance Program	Utility Deposit Account
Receipts:				
Property tax	\$ 156,210	\$ 20,773	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>40,548</u>	<u>5,579</u>
Total receipts	<u>\$ 156,210</u>	<u>\$ 20,773</u>	<u>\$ 40,548</u>	<u>\$ 5,579</u>
Disbursements:				
Operating:				
Public safety	\$ 88,092	\$ -	\$ -	\$ -
Culture and recreation	24,748	-	-	-
Community and economic development	21,378	-	76,125	1,680
General government	<u>28,743</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>\$ 162,961</u>	<u>\$ -</u>	<u>\$ 76,125</u>	<u>\$ 1,680</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (6,751)</u>	<u>\$ 20,773</u>	<u>\$ (35,577)</u>	<u>\$ 3,899</u>
Other financing uses:				
Operating transfers in (out)	<u>6,000</u>	<u>-</u>	<u>24,000</u>	<u>-</u>
Net change in cash balances	\$ (751)	\$ 20,773	\$ (11,577)	\$ 3,899
Cash balances beginning of year	<u>(2,934)</u>	<u>(130,910)</u>	<u>(14,822)</u>	<u>23,207</u>
Cash balances end of year	<u>\$ (3,685)</u>	<u>\$ (110,137)</u>	<u>\$ (26,399)</u>	<u>\$ 27,106</u>
Cash Basis Fund Balances				
Restricted for Urban Renewal purposes	\$ -	\$ (110,137)	\$ -	\$ -
Restricted for other purposes	(3,685)	-	(26,399)	27,106
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ (3,685)</u>	<u>\$ (110,137)</u>	<u>\$ (26,399)</u>	<u>\$ 27,106</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

<u>Revenue</u>		
<u>RLF</u> <u>Firefighting</u> <u>Equipment</u>	<u>Capital</u> <u>Imp.</u> <u>Levy Fund</u>	<u>Total</u>
\$ -	\$ 35,356	\$ 212,339
-	-	46,127
<u>\$ -</u>	<u>\$ 35,356</u>	<u>\$ 258,466</u>
\$ 15,000	\$ -	\$ 103,092
-	-	24,748
-	-	99,183
-	-	28,743
<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 255,766</u>
\$ (15,000)	\$ 35,356	\$ 2,700
<u>-</u>	<u>-</u>	<u>30,000</u>
\$ (15,000)	\$ 35,356	\$ 32,700
<u>(143,605)</u>	<u>41,807</u>	<u>(227,257)</u>
<u>\$(158,605)</u>	<u>\$ 77,163</u>	<u>\$(194,557)</u>
\$ -	\$ -	\$ (110,137)
(158,605)	77,163	(84,420)
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$(158,605)</u>	<u>\$ 77,163</u>	<u>\$(194,557)</u>

**City of Rock Valley, Iowa
Schedule of Indebtedness
Year Ended June 30, 2012**

Obligation	Date of Issue	Interest Rates
General Obligation Notes:		
G.O. Capital Loan Notes – Series 2007	Sept. 25, 2007	3.85-4.25%
G.O. Capital Loan Notes – Series 2006	Sept. 25, 2006	3.75-4.30%
G.O. Capital Loan Notes – 300 th Street	Sept. 1, 2005	3.85%
G.O. Fire Fighting Equipment Notes	Oct. 11, 2004	0.00%
G.O. Capital Loan Notes – Series 2005	Oct. 1, 2005	2.00-3.90%
G.O. Capital Loan Notes – Series 2002	July 1, 2002	2.00-4.25%
G.O. Capital Loan Notes – Series 2008	June 30, 2008	2.45-4.20%
G.O. Capital Loan Notes – Series 2009	February 19, 2009	2.50-4.90%
G.O. Capital Loan Notes – Series 2009	August 27, 2009	4.00-5.00%
G.O. Capital Loan Notes – Series 2010	June 30, 2010	2.20-4.30%
G.O. Capital Loan Notes – Series 2011	October 6, 2011	2.50-3.95%
Total		
 Tax Increment Financing Revenue Bonds		
Tax Increment (TIF)	February 19, 2009	2.70-5.20%
 Revenue Notes & Loans		
Water Revenue Notes – 2008	June 30, 2008	2.60-4.33%
Sewer Revenue Notes – 2008	June 30, 2008	2.60-4.35%
Clean Water Planning & Design Loan	January 20, 2010	0.00%
Drinking Water Planning & Design Loan	February 4, 2009	3.00%
Clean Water Planning & Design Loan	November 4, 2009	3.00%
Total		

See accompanying independent auditor's report.

Schedule 2

Amount Originally Issued	Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End Of Year	Interest Paid	Interest Due and Unpaid
\$1,500,000	\$ 1,045,000	\$ -	\$ 145,000	\$ 900,000	\$ 43,200	\$ -
850,000	480,000	-	90,000	390,000	19,937	-
800,000	455,000	-	85,000	370,000	20,134	-
150,000	52,500	-	15,000	37,500	-	-
1,155,000	525,000	-	125,000	400,000	19,142	-
1,415,000	305,000	-	150,000	155,000	12,888	-
1,500,000	1,180,000	-	135,000	1,045,000	45,902	-
435,000	375,000	-	35,000	340,000	15,233	-
370,000	320,000	-	30,000	290,000	15,055	-
1,160,000	1,090,000	-	80,000	1,010,000	42,261	-
600,000	-	600,000	35,000	565,000	9,315	-
	<u>\$ 5,827,500</u>	<u>\$ 600,000</u>	<u>\$ 925,000</u>	<u>\$ 5,502,500</u>	<u>\$ 243,017</u>	<u>\$ -</u>
\$ 565,000	\$ 495,000	\$ -	\$ 40,000	\$ 455,000	\$ 21,640	\$ -
\$ 450,000	\$ 345,000	\$ -	\$ 40,000	\$ 305,000	\$ 13,975	\$ -
260,000	195,000	-	25,000	170,000	7,865	-
1,757,000	1,757,000	-	-	1,757,000	-	-
1,359,000	1,258,000	-	53,000	1,205,000	41,150	-
3,947,795	<u>3,797,795</u>	<u>-</u>	<u>155,000</u>	<u>3,642,795</u>	<u>123,801</u>	<u>-</u>
	<u>\$ 7,352,795</u>	<u>\$ -</u>	<u>\$ 273,000</u>	<u>\$ 7,079,795</u>	<u>\$ 186,791</u>	<u>\$ -</u>

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2012**

General Obligation Notes

Year Ending June 30	<u>Series 2007</u> <u>Issued Sept. 25, 2007</u>		<u>Series 2005</u> <u>Issued Oct. 1, 2005</u>		<u>Series 2002</u> <u>Issued July 1, 2002</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2013	4.05%	\$ 160,000	3.55%	\$ 125,000	4.25%	\$ 155,000
2014	4.10	170,000	3.70	135,000		-
2015	4.15	180,000	3.90	140,000		-
2016	4.20	190,000		-		-
2017	4.25	200,000		-		-
2018		-		-		-
2019		-		-		-
2020		-		-		-
2021		-		-		-
Total		<u>\$ 900,000</u>		<u>\$ 400,000</u>		<u>\$ 155,000</u>

Revenue Bonds (TIF)

<u>Tax Increment Financing Revenue Bonds</u>		
Year Ending June 30	<u>Issued February 19, 2009</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2013	3.50%	\$ 50,000
2014	3.90	50,000
2015	4.10	60,000
2016	4.40	60,000
2017	4.60	70,000
2018	4.90	80,000
2019	5.20	85,000
		<u>\$ 455,000</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bond and Note Maturities
June 30, 2012**

General Obligation Notes

Year Ending June 30	<u>Fire Fighting Equipment</u>		<u>Capital Loan Notes</u> <u>Series 2006</u>		<u>Capital Loan Notes</u> <u>Series 2009</u>	
	<u>Issued Oct. 11, 2004</u>		<u>Issued Sept. 25, 2006</u>		<u>Issued February 19, 2009</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2013	0.00%	\$ 15,000	4.10%	\$ 95,000	3.25%	\$ 35,000
2014	0.00	15,000	4.15	95,000	3.55	40,000
2015	0.00	7,500	4.20	100,000	3.85	40,000
2016		-	4.30	100,000	4.10	50,000
2017		-		-	4.30	50,000
2018		-		-	4.50	60,000
2019		-		-	4.90	65,000
2020		-		-		-
2021		-		-		-
Total		<u>\$ 37,500</u>		<u>\$ 390,000</u>		<u>\$ 340,000</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2012**

General Obligation Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>300th Street</u> <u>Issued Sept. 1, 2005</u>		<u>Capital Loan Notes</u> <u>Series 2010</u> <u>Issued June 30, 2010</u>		<u>Promissory Loan Notes</u> <u>Series 2011</u> <u>Issued October 6, 2011</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2013	3.85%	\$ 90,000	2.70%	\$ 85,000	2.50%	\$ 40,000
2014	3.85	90,000	2.95	100,000	2.50	45,000
2015	3.85	95,000	3.20	110,000	2.50	50,000
2016	3.85	95,000	3.45	122,000	2.55	60,000
2017	-	-	3.95	133,000	2.85	65,000
2018	-	-	4.10	145,000	3.20	70,000
2019	-	-	4.20	155,000	3.45	75,000
2020	-	-	4.30	160,000	3.75	75,000
2021	-	-	-	-	3.95	85,000
Total		<u>\$ 370,000</u>		<u>\$1,010,000</u>		<u>\$ 565,000</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2012**

General Obligation Notes

Year Ending June 30	<u>Capital Loan Notes</u> <u>Series 2008</u> <u>Issued June 30, 2008</u>		<u>Capital Loan Notes</u> <u>Series 2009</u> <u>Issued August 27, 2009</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2013	3.65%	\$ 145,000	4.40%	\$ 35,000	\$ 980,000
2014	3.75	160,000	4.50	35,000	885,000
2015	3.90	170,000	4.60	35,000	927,500
2016	4.00	180,000	4.70	40,000	837,000
2017	4.00	190,000	4.80	45,000	683,000
2018	4.10	200,000	4.90	50,000	525,000
2019		-	5.00	50,000	345,000
2020		-		-	235,000
2021		-		-	85,000
Total		<u>\$1,045,000</u>		<u>\$ 290,000</u>	<u>\$ 5,502,500</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2012**

Revenue Loans

Year Ending June 30	<u>Water Revenue Notes - Series 2008</u> <u>Issued June 30, 2008</u>		<u>Sewer Revenue Notes - Series 2008</u> <u>Issued June 30, 2008</u>		<u>Clean Water Planning & Design Loan</u> <u>Dated May 7, 2008</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2013	3.80%	\$ 40,000	3.80%	\$ 25,000	0.00%	\$ 198,000
2014	3.90	45,000	3.90	25,000	0.00	70,000
2015	4.05	50,000	4.05	30,000	0.00	72,000
2016	4.15	50,000	4.15	30,000	0.00	75,000
2017	4.25	60,000	4.25	30,000	0.00	77,000
2018	4.33	60,000	4.35	30,000	0.00	80,000
2019		-		-	0.00	82,000
2020		-		-	0.00	85,000
2021		-		-	0.00	88,000
2022		-		-	0.00	91,000
2023		-		-	0.00	93,000
2024		-		-	0.00	97,000
2025		-		-	0.00	100,000
2026		-		-	0.00	103,000
2027		-		-	0.00	106,000
2028		-		-	0.00	110,000
2029		-		-	0.00	113,000
2030		-		-	0.00	117,000
Total		<u>\$ 305,000</u>		<u>\$ 170,000</u>		<u>\$1,757,000</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa
Bonds and Note Maturities
June 30, 2012**

Revenue Loans

Year Ending June 30	<u>Drinking Water Planning & Design Loan</u> <u>Dated February 4, 2009</u>		<u>Clean Water Planning & Design Loan</u> <u>Dated November 4, 2009</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2013	3.00%	\$ 54,000	3.00%	\$ 160,000	\$ 477,000
2014	3.00	56,000	3.00	165,000	361,000
2015	3.00	58,000	3.00	171,000	381,000
2016	3.00	60,000	3.00	176,000	391,000
2017	3.00	62,000	3.00	182,000	411,000
2018	3.00	64,000	3.00	188,000	422,000
2019	3.00	66,000	3.00	194,000	342,000
2020	3.00	68,000	3.00	200,000	353,000
2021	3.00	70,000	3.00	207,000	365,000
2022	3.00	73,000	3.00	213,000	377,000
2023	3.00	75,000	3.00	220,000	388,000
2024	3.00	77,000	3.00	227,000	401,000
2025	3.00	80,000	3.00	235,000	415,000
2026	3.00	83,000	3.00	243,000	429,000
2027	3.00	85,000	3.00	250,000	441,000
2028	3.00	88,000	3.00	259,000	457,000
2029	3.00	86,000	3.00	267,000	466,000
2030		-	3.00	85,795	202,795
Total		<u>\$1,205,000</u>		<u>\$3,642,795</u>	<u>\$ 7,079,795</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 987,446	\$ 926,970	\$ 773,687	\$ 687,508
Tax increment financing	1,406,356	1,377,680	1,237,110	1,179,064
Other city tax	338,681	296,081	274,145	294,471
Licenses and permits	4,950	2,820	3,433	4,683
Use of money and property	15,127	31,208	23,920	33,499
Intergovernmental	1,175,789	706,807	294,898	253,255
Charges for service	490,765	532,470	608,691	152,308
Special assessments	44,341	208,274	22,820	8,549
Miscellaneous	<u>491,049</u>	<u>562,209</u>	<u>413,509</u>	<u>426,063</u>
Total	<u>\$ 4,954,504</u>	<u>\$ 4,644,519</u>	<u>\$ 3,652,213</u>	<u>\$ 3,029,400</u>
Disbursements:				
Operating:				
Public safety	\$ 742,987	\$ 583,228	\$ 600,269	\$ 493,165
Public works	322,083	252,038	280,365	349,585
Culture and recreation	395,948	550,449	474,454	398,116
Community and economic development	826,874	829,052	407,636	1,234,591
General government	392,611	327,383	385,325	310,313
Debt service	1,671,222	1,551,166	1,112,994	964,386
Capital projects	<u>1,957,568</u>	<u>2,895,674</u>	<u>4,829,632</u>	<u>3,692,617</u>
Total	<u>\$ 6,309,293</u>	<u>\$ 6,988,990</u>	<u>\$ 8,090,675</u>	<u>\$ 7,442,773</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2008	2007	2006	2005
Receipts:				
Property tax	\$ 682,135	\$ 625,775	\$ 634,496	\$ 646,557
Tax increment financing	1,010,235	927,644	738,871	687,448
Other city tax	277,616	250,622	235,733	204,949
Licenses and permits	5,550	3,720	4,231	2,905
Use of money and property	42,345	62,445	43,234	36,155
Intergovernmental	931,197	253,368	258,274	376,796
Charges for service	88,893	94,323	96,027	31,924
Special assessments	-	33,803	36,273	59,908
Miscellaneous	<u>437,382</u>	<u>670,368</u>	<u>812,667</u>	<u>464,924</u>
Total	<u>\$ 3,475,353</u>	<u>\$ 2,922,068</u>	<u>\$ 2,859,796</u>	<u>\$ 2,511,566</u>
Disbursements:				
Operating:				
Public safety	\$ 399,134	\$ 490,967	\$ 421,157	\$ 570,793
Public works	253,151	178,929	247,090	211,566
Culture and recreation	389,558	425,848	473,401	392,464
Community and economic development	466,188	746,409	510,884	609,298
General government	347,828	341,847	296,338	160,388
Debt service	744,144	695,899	418,412	320,293
Capital projects	<u>3,754,667</u>	<u>625,366</u>	<u>1,383,236</u>	<u>1,041,728</u>
Total	<u>\$ 6,354,670</u>	<u>\$ 3,505,265</u>	<u>\$ 3,750,518</u>	<u>\$ 3,306,530</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Last Ten Years

	2004	2003
Receipts:		
Property tax	\$ 593,935	\$ 581,900
Tax increment financing	617,364	555,881
Other city tax	252,438	232,056
Licenses and permits	3,445	3,570
Use of money and property	29,892	42,752
Intergovernmental	273,351	810,008
Charges for service	24,625	26,546
Special assessments	9,040	18,565
Miscellaneous	<u>244,153</u>	<u>206,883</u>
Total	<u>\$ 2,048,243</u>	<u>\$ 2,478,161</u>
Disbursements:		
Operating:		
Public safety	\$ 330,525	\$ 293,409
Public works	356,669	342,886
Culture and recreation	345,024	304,200
Community and economic development	245,415	606,55
General government	339,724	224,525
Debt service	331,179	408,670
Capital projects	<u>476,117</u>	<u>1,468,405</u>
Total	<u>\$ 2,424,653</u>	<u>\$ 3,648,650</u>

See accompanying independent auditor's report.

City of Rock Valley, Iowa



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rock Valley, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 5, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Rock Valley is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Rock Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rock Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Rock Valley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Rock Valley's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-12 and II-B-12 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-C-12, II-D-12, II-E-12, and II-F-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Rock Valley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Rock Valley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Rock Valley, and other parties to whom the City of Rock Valley may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

December 5, 2012

**City of Rock Valley, Iowa
Schedule of Findings
Year Ended June 30, 2012**

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-12 Countersignature of Checks

Recommendation – In order to provide an additional control, checks should be prepared and signed by one individual and then the supporting vouchers and invoices should be made available along with the checks to the second individual for review and countersignature.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve dual check signing. These plans were implemented effective January 1, 2012.

Conclusion – Response accepted. As having dual check signers adds an important additional control, we strongly recommend that the City does consider this. Procedures could be established to account for the situation when it is not feasible to have two check signers.

II-B-12 Separately Maintained Records

Volunteer Fire and Ambulance Departments – The volunteer fire and ambulance departments maintain separate accounting records and the individual transaction activity is not included in the City's accounting records. Additionally, certain disbursements were either not adequately supported or were not supported at all.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records

**City of Rock Valley, Iowa
Schedule of Findings
Year Ended June 30, 2012**

Part II: Findings Related to the Financial Statements: (continued)

and reported to the Council on a monthly basis. Also, the volunteer fire and ambulance departments should ensure all disbursements are properly supported.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. We plan to implement these changes January 1, 2013.

Conclusion – Response accepted.

- II-C-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

For the City of Rock Valley Volunteer Fire and Ambulance Department accounts, one individual has control over each of the following areas:

- (1) Receipts – opening mail, collecting and depositing.
- (2) Disbursements – check writing, signing and approval.
- (3) Cash – handling and recording cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review the control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by initials or signature of the reviewer and the date of the review.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. We plan to implement these changes January 1, 2013.

Conclusion – Response accepted.

- II-D-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the handling of cash and numerous recordkeeping functions are not entirely separated among employees.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly approve time sheets, check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, and periodically examine investments.

**City of Rock Valley, Iowa
Schedule of Findings
Year Ended June 30, 2012**

Part II: Findings Related to the Financial Statements: (continued)

Response – We will investigate this within economic constraints.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and also through utilizing administrative personnel to provide additional control through review of financial transactions and reports.

II-E-12 Capital Assets Record – A complete record of capital assets is not maintained.

Recommendation – To facilitate the proper insurance, maintenance and safeguarding of these assets, such records should be established. An inventory of all property and equipment should be taken by an independent person at least once a year and compared against capital assets records.

Response – We will work on implementing this recommendation.

Conclusion – Response accepted.

II-F-12 Financial Statement Preparation – Management has chosen to utilize the auditors in drafting the annual financial statements and footnotes.

Recommendation – Management should prepare the financial statements but has not obtained the sufficient expertise necessary to prepare the financial statement and the footnotes on the basis of cash receipts and disbursements.

Response – Management agrees and understands.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the public safety, community and economic development, and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**City of Rock Valley, Iowa
Schedule of Findings
Year Ended June 30, 2012**

Part III: Other Findings Related to Statutory Reporting (continued)

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-12 Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.

III-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Kevin Van Otterloo, mayor shareholder, Van's Food Pride	materials	\$ 4,524
Dennis Cannegeiter, council member shareholder, Gator Brothers Boring, Inc.	construction	6,258

In accordance with Chapter 362.5 (3)(j) of the Code of Iowa, the transactions with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year or the transactions with council members does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(e) of the Code of Iowa.

III-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-12 Council Minutes – A 1995 International Pickup was sold which was not approved in the Council minutes. No other transactions were found that we believe should have been approved in the council minutes but were not.

Recommendation – The City should have all asset purchases and sales specified in the council minutes.

Response – We will include asset purchases and sales in the council minutes in the future.

Conclusion – Response accepted.

**City of Rock Valley, Iowa
Schedule of Findings
Year Ended June 30, 2012**

Part III: Other Findings Related to Statutory Reporting (continued)

III-G-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-12 Financial Condition - The Special Revenue Funds, Urban Renewal Tax Increment, Employee Benefits, RLF Firefighting Equipment and Local Housing Assistance Program had deficit balances as of June 30, 2012 of \$110,137, \$3,684, \$158,605, and \$26,399 respectively

Recommendation - There should be more funds transferred to service the expenditures and outstanding Urban Renewal Tax Increment debt.

Response - We will transfer more funds to service the expenditures and Urban Renewal Tax Increment debt.

Conclusion - Response accepted.

III-I-12 Financial Condition - The Capital Projects Funds had deficit balances of \$1,017,805 at June 30, 2012.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial positions.

Response - The deficits were due to construction costs incurred at various times and transfers were made to accommodate the deficits.

Conclusion - Response accepted.